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Moody's Investors Service

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Global Credit Research

Rating Action

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AMEREN CORP. Credit No. Freestey

Rating Action: Ameren Corporation

Date 7/27/06 Reporter LB

MOODY'S DOWNGRADES UNION ELECTRIC (SR. UNS. TO A3), CIPS (SR. UNS. TO Baa3), CILCORP (SR. UNS. TO Ba1), AND CILCO (SR. UNS. TO Baa2); CONFIRMS AMEREN CORPORATION AND ILLINOIS POWER; OUTLOOK NEGATIVE FOR AMEREN AND FOUR ILLINOIS SUBSIDIARIES

Approximately \$4 Billion of Debt Securities Downgraded

New York, July 26, 2006 – Moody's Investors Service downgraded the ratings of Union Electric Company (doing business as AmerenUE; senior unsecured debt to A3 from A2); Central Illinois Public Service Company (d/b/a AmerenCIPS; senior unsecured debt to Baa3 from Baa1); CILCORP Inc. (senior unsecured debt to Ba1 from Baa3); and Central Illinois Light Company (d/b/a AmerenCILCO; senior unsecured debt to Baa2 from Baa1). Moody's also downgraded Union Electric Company's short term rating for commercial paper to Prime-2 from Prime-1. Moody's confirmed the ratings of Ameren Corporation (Baa1 senior unsecured, Prime-2 commercial paper) and Illinois Power Company (Baa3 Issuer Rating). The rating of AmerenEnergy Generating Company (Baa2 senior unsecured) is unaffected. The rating outlook is negative for Ameren Corporation, Central Illinois Public Service, CILCORP, Central Illinois Light, and Illinois Power. The rating outlook is stable for Union Electric and AmerenEnergy Generating. This action concludes a review for possible downgrade that was initiated on December 15, 2005.

The downgrade of Central Illinois Public Service, CILCORP, and Central Illinois Light reflects the following:

1) A difficult political and regulatory environment for electric utilities in the state of Illinois, with rate increases being sought to recover purchased power costs that are expected to increase sharply starting on January 1, 2007. The Governor, the Attorney General, and some members of the state legislature have expressed strong opposition to Ameren's power procurement plans for its Illinois utilities, and the company has acknowledged that a portion of the rate increase may be deferred.

2) Moody's expectation that the outcome will involve a material regulatory deferral of recovery of higher power procurement costs, which will weaken the financial performance of the utilities for at least several years. A lengthy deferral would result in increased debt balances and raise concern about the ultimate full recovery of these costs.

In addition to these factors, the two notch downgrade of Central Illinois Public Service Company's ratings represents a narrowing of the notching among Ameren's Illinois utility subsidiaries, which Moody's believes are being operated as a single system with similar credit profiles for CIPS, CILCORP, and IP. It also reflects the expiration of the utility's below market power purchase agreement with AmerenEnergy Generating on December 31, 2006.

The downgrade of Union Electric Company reflects the following:

1) Weaker financial metrics due to higher operating costs and large capital expenditures for environmental compliance, and the expectation that financial ratios will continue to be weak for the previous rating level through 2007. Union Electric has recently filed for a rate increase in Missouri to address these higher costs, the outcome of which will be important to the maintenance of the utility's credit profile.

2) The likelihood that if the operating cash flow of Ameren's Illinois utilities declines, Ameren may need to rely on its Missouri and unregulated operations for a larger share of upstreamed dividends to meet parent company obligations.

The confirmation of Illinois Power's ratings reflects Moody's expectation that the current level of proposed deferrals will result in financial ratios that would be consistent with low investment grade ratings for Ameren's three utility operating subsidiaries in Illinois. It also considers the operating and financial improvements Ameren has made at Illinois Power since it was acquired from Dynegy several years ago, as well as the new credit facility and money pool arrangement in place with affiliated companies Central Illinois Public Service, CILCORP, and Central Illinois Light.

The confirmation of Ameren Corp.'s ratings reflects consolidated financial metrics that are expected to remain consistent with its Baa1 rating, the low level of debt at the parent company level, and the recent execution of a bank facility at its Illinois utilities as part of arrangements to provide separate credit arrangements for these companies, and removal of cross default provisions under the Ameren credit facility. The confirmation of

Ameren Corp.'s rating considers that its unregulated generating subsidiaries are expected to generate higher cash flow after below market contracts with the Illinois utility affiliates expire on December 31, 2006.

The rating of AmerenEnergy Generating Company is unchanged and considers its competitive, low cost generating portfolio, upside potential beyond January 1, 2007 when contracts to sell power expire and the company can benefit from higher market prices, and the company's reduced leverage following the retirement of \$225 million of long-term debt in November 2005.

The negative rating outlook on Ameren and its Illinois utility subsidiaries reflects continued uncertainty about the outcome of the power supply auction, the level of increase for power purchase costs, and the full and timely recovery of these higher costs. It also reflects the possibility that consolidated financial metrics could deteriorate further if deferrals are larger than anticipated or if the rate freeze in Illinois is extended.

Ratings downgraded include:

Union Electric Company's senior secured debt to A2 from A1; Issuer Rating to A3 from A2; and short-term rating for commercial paper to Prime-2 from Prime-1;

Central Illinois Public Service Company's senior secured debt to Baa2 from A3, senior unsecured debt and Issuer Rating to Baa3 from Baa1, and short-term rating for remarketed securities to VMIG 3 from VMIG 2;

CILCORP, Inc.'s senior unsecured debt to Ba1 from Baa3;

Central Illinois Light Company's senior secured debt to Baa1 from A3; and Issuer Rating to Baa2 from Baa1.

Ratings confirmed include:

Ameren Corp.'s senior unsecured debt at Baa1 and short-term rating for commercial paper at Prime-2;

Illinois Power Company's senior secured debt at Baa2 and Issuer Rating at Baa3.

Ameren Corporation is a public utility holding company headquartered in St. Louis, Missouri. It is the parent company of Union Electric Company (d/b/a AmerenUE), Central Illinois Public Service Company (d/b/a AmerenCIPS), CILCORP Inc., Central Illinois Light Company (d/b/a AmerenCILCO), Illinois Power Company (d/b/a AmerenIP), and Ameren Energy Generating Company.

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